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**SAN MIGUEL**  
FOOD AND BEVERAGE, INC.

## San Miguel Food and Beverage, Inc.

### FB

#### PSE Disclosure Form 17-18 - Other SEC Forms/Reports/Requirements

<b>Form/Report Type</b>	Policy on Related Party Transactions
<b>Report Period/Report Date</b>	Sep 30, 2019

<b>Description of the Disclosure</b>
Please see attached.

**Filed on behalf by:**

<b>Name</b>	Alexandra Trillana
<b>Designation</b>	Corporate Secretary and Compliance Officer



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## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Information

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S. E. C. Registration Number

S A N M I G U E L F O O D A N D

B E V E R A G E , I N C .

(Company's Full Name)

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M E T R O M A N I L A

(Business Address: No. Street City/Town/Province)

ALEXANDRA B. TRILLANA

Contact Person

(632) 317-5450

Company Telephone Number

POLICY ON RELATED PARTY TRANSACTIONS

Month

Day

FORM TYPE

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Dept. Requiring this Doc.

Amended Articles Number/Section

Amended Articles Number/Section

Total No. of Stockholders

Total No. of Stockholders

Domestic

Domestic

Foreign

Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

File Number

File Number

LCU

Document I. D.

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Cashier

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September 30, 2019

**Securities and Exchange Commission**  
SEC Main Office  
Secretariat Building, PICC Complex  
Roxas Boulevard, Metro Manila

Attention: **Atty. Rachel Esther J. Gumtang-Remalante**  
Corporate Governance and Finance Department

Re: Related Party Transactions Policy

Dear Atty. Remalante:

As previously reported in SEC Form 17-C dated August 7, 2019, the Board of Directors of San Miguel Food and Beverage, Inc. (the "Company") approved the new Related Party Transactions Policy of the Company (the "New Policy") in compliance with SEC Memorandum Circular No. 10, series of 2019. The New Policy will supersede the Related Party Transactions Policy of the Company that was previously approved by the Board of Directors in March 2018 and which was amended by the Board of Directors in March 2019.

Attached herewith is the New Policy fully signed by the Chairman, President, Chairman of the Related Party Transactions Committee, and Compliance Officer of the Company.

The New Policy shall also be posted in the Company's corporate website at the link <http://www.smfb.com.ph/articles/company-policies> within five (5) days from submission to the SEC.

Very truly yours,

  
**Alexandra Bengson Trillana**  
Compliance Officer

**SAN MIGUEL FOOD AND BEVERAGE, INC.**  
100 E. Rodriguez Jr. Avenue (C-5 Road)  
Barangay Ugong, Pasig City 1604, Metro Manila  
Tel. No.: (632) 317-5000  
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## **San Miguel Food and Beverage, Inc.**

### **Policy on Related Party Transactions**

#### **Policy Statement**

It is the policy of San Miguel Food and Beverage, Inc. (the “Company”) that all related party transactions (“RPTs”) are conducted on an arm’s length basis and under fair terms, in order that no shareholder or stakeholder is unduly disadvantaged and there is no prejudice to their interests. The Board of Directors shall have the overall responsibility in ensuring that RPTs are handled in a sound and prudent manner, with integrity, and in effective compliance with applicable laws, rules and regulations at all times, to protect the interests of the Company, its subsidiaries, its shareholders and other stakeholders. The objectives of this policy are to mitigate or avoid conflict of interest and abusive transactions between Related Parties (as defined below), and ensure that every RPT is reviewed, approved and disclosed in compliance with the requirements of the regulatory bodies such as the Securities and Exchange Commission (the “SEC”).

#### **A. Definition of Terms**

For purposes of this Policy on Related Party Transactions (the “Policy”), the following definitions shall apply:

**Abusive Material RPT** – refers to a Material RPT (as defined below) that is not entered into at arm’s length and unduly favors a Related Party.

**Affiliate** – refers to an entity linked directly or indirectly to the Company through any or a combination of any of the following:

- (i) ownership, control or power to vote, whether by permanent or temporary proxy or voting trust, or other similar contracts, by an entity of at least ten percent (10%) or more of the outstanding voting stock of the Company, or vice versa;
- (ii) same stockholders owning at least ten percent (10%) of the outstanding voting stock of the Company and the entity;

- (iii) interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations of the SEC; or
- (iv) management contract or any arrangement granting power to the Company to direct or cause the direction of management and policies of the Company, or vice versa.

**Associate** – refers to an entity over which: (i) the Company holds at least twenty percent (20%) or more of the total outstanding common shares, directly or indirectly, or (ii) the Company has Significant Influence as defined in this Policy.

**Control** – a person or an entity who controls the Company if and only if the person or entity has all of the following, taking into account financial standards, laws, as well as rules and regulations:

- (i) power to govern the financial and operating policies of the Company so as to obtain benefits from its activities;
- (ii) exposure or rights to variable returns from its involvement with the Company; and
- (iii) the ability to use its power over the Company to affect the amount of the Company's returns.

**External Independent Party** – refers to a person or entity which may include, but is not limited to, an auditing or accounting firm, a third party consultant or an appraiser who is appointed by the Board of Directors of the Company (or its Executive Committee) to evaluate the fairness of the terms of the Material RPTs.

**Material RPTs** – refers to the RPTs listed in Part B of this Policy.

**Related Party/ies** – covers:

- (i) the Company's directors, officers, Substantial Shareholders (as defined below) and their spouses and relatives within the fourth civil degree of consanguinity or affinity, either by marriage or domestic partnership, if these persons have control, joint control or Significant Influence over the Company; and
- (ii) the Company's parent, Subsidiary, fellow Subsidiary, Associate, Affiliate, joint venture or an entity that is controlled, jointly controlled or Significantly Influenced or managed by a person who is a Related Party.

**Related Party Registry** – refers to a record of the organizational and structural composition of the Company and its Related Parties, including any change thereon, maintained by the Chief Finance Officer.

**Related Party Transactions or RPTs** – refers to a transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with Related Parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a Related Party.

**Significant Influence** – refers to the power to participate in and effect, but not to Control, decisions relating to the financial and operating policies of the Company, which may be gained by share ownership, by law, or by agreement.

**Subsidiary** – refers to an entity over which a corporation holds more than fifty percent (50%) of such entity’s total outstanding common shares.

**Substantial Shareholder** – refers to any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of the Company’s total outstanding common shares.

## **B. Coverage and Materiality Threshold**

The following RPTs are considered Material RPTs covered by this Policy:

1. Related Party Transactions either individually, or in aggregate over a twelve (12) month period from the first transaction, with the same Related Party, amounting to at least ten percent (10%) of the Company’s total consolidated assets based on its latest audited financial statements.;
2. Outstanding transactions amounting to at least ten percent (10%) of the total consolidated assets of the Company that were entered into with an unrelated party that subsequently becomes a Related Party in the event of any alteration to the terms and conditions or an increase in the exposure level pertaining to such transactions after the non-related counterparty becomes a Related Party;
3. The write-off of material exposures to Related Parties amounting to at least ten percent (10%) of the Company’s total consolidated assets based on its latest audited financial statements; and
4. Renewal of, or material changes in, the terms and conditions of Material RPTs previously approved in accordance with Parts F or G of this Policy, which material change includes, but is not limited to, a change in the price, interest rate, maturity date, payment terms, commissions, fees, tenor and collateral requirement of the Material RPT.

An RPT, if qualifying as a Material RPT pursuant to this Part B, shall be subject to the review by the Related Party Transactions Committee (the “RPT Committee”), and if approved by the RPT Committee, shall be endorsed by it for further approval by the Board of Directors.

Any RPT not considered material as expressly provided herein shall not be covered by this

Policy and therefore shall not be subject to review by the RPT Committee and endorsement for approval by the Board of Directors.

**C. Guidelines to Ensure Arm's Length Terms**

All RPTs shall be entered into on an arm's length basis and thus accounted for at market prices normally charged to unaffiliated customers or parties for equivalent or similar goods or services.

In the review of Material RPTs as set out in Part B of this Policy, the RPT Committee and the Board of Directors shall consider the following factors to ensure that no preferential treatment shall be given to Related Parties that are not extended to non-related parties under similar circumstances:

1. The terms of the transaction, including the proposed aggregate value of the transaction, *i.e.*, whether the terms of the transaction are no less favorable than those generally available to non-related parties under the same or similar circumstances;
2. The Related Party's relationship to the Company and the extent of the Related Party's interest in the transaction, *i.e.*, whether the transaction would present an improper conflict of interest or special risks or contingencies for the Company or any of its Subsidiaries or Affiliates, or the counterpart Related Party, taking into account the size of the transaction and the overall financial position of the counterpart Related Party;
3. The purpose and timing of the transaction; and
4. Any material information or other factors the RPT Committee deems relevant, including but not limited to the following: (a) the benefits to the Company of the proposed RPT; and (b) the availability of other sources of comparable products or services.

**D. Overarching Policy and System**

Further to the duty of the Board of Directors under the Company's Manual on Corporate Governance to formulate and implement policies and procedures that would ensure the integrity and transparency of RPTs, the Board of Directors shall establish an effective system to:

1. Determine, identify and monitor Related Parties and Material RPTs;
2. Continuously review and evaluate existing relationships between and among businesses and counterparties; and
3. Identify, measure, monitor and control risks arising from Material RPTs.

The system shall be able to define the extent of the relationship of the Related Parties with the Company, assess situations in which a non-related party (with whom the Company has entered



into a transaction) subsequently becomes a Related Party and vice versa; and generate information on the nature and amount of exposures of the Company to a particular Related Party. The said system will facilitate the submission of accurate reports to the regulators and supervisors. The system and this overarching Policy shall be subject to periodic assessment by the internal audit group/s and Compliance Officer of the Company in accordance with Part H below.

**E. Identification of Conflicts of Interest**

As part of the system, in order to identify, prevent or manage potential or actual conflicts of interest, every director and employee, including officers and managers, shall declare in writing his business interests and his relatives within the fourth civil degree of consanguinity and affinity, in the form/s prescribed by the Company and in such frequency as the Company may prescribe.

Directors are also required to notify the Company's Board of Directors before accepting a directorship in another company. Any change in their interests should be promptly disclosed to the Board of Directors through the Company's Compliance Officer.

**F. Review Process of the Material RPT**

1. Senior management shall implement appropriate controls to effectively manage and monitor Material RPTs on a per transaction and aggregate basis. Exposures to Related Parties shall also be monitored on an ongoing basis to ensure compliance with this Policy and applicable regulations.
2. The Company's management and/or the Board of Directors shall maintain a Related Party Registry and, on a quarterly basis, shall review all identified Related Parties with whom the Company has any outstanding transactions and update the Related Party Registry to capture organizational and structural changes in the Company and its Related Parties.
3. The Company's Chief Finance Officer (or any other officer as management may designate) shall ensure that the financial officers or controllers of the group or business units and employees who are responsible for identification and monitoring of existing and potential Material RPTs report such transactions to him prior to execution, to the extent reasonably practicable, in order for these Material RPTs to be subject to the review and approval process set out in this Policy.
4. Prior to the execution of the Material RPT, an External Independent Party shall evaluate the fairness of the terms of the Material RPT.
5. In the case of RPTs that meet the materiality threshold in terms of the transaction value within a period of twelve (12) months from the first transaction, the evaluation by the

External Independent Party shall be made at the time it becomes known that such series of transactions will meet the materiality threshold, whether or not the same has already been performed.

Further -

- (a) if the contract is not yet executed, the process for review of the Material RPT shall commence in the manner indicated in Part F (1) above then continue in accordance with the rest of this Part F; or
  - (b) if the contract is already executed and partially performed, the evaluation by the External Independent Party shall commence at the earliest practicable date following the determination by management that the transaction has become a Material RPT, and the approval and endorsement by the RPT Committee and approval of the Board of Directors, respectively, shall be by way of ratification.
6. Senior management shall implement measures to identify potential Material RPTs, which if identified, shall be referred to the External Independent Party for evaluation. Upon favorable recommendation of the External Independent Party, the Material RPT shall be presented to the RPT Committee for review, approval and endorsement to the Board of Directors for further approval.
7. The RPT Committee shall review all Material RPTs in accordance with the principles of transparency, integrity and fairness, to ensure that they are at arm's length, their terms are fair, and they will inure to the best interest of the Company and its Subsidiaries or Affiliates and their shareholders, including minority shareholders. If the Material RPT passes the review of the RPT Committee, it shall be endorsed by the RPT Committee to the Board of Directors for final approval.
8. Any officer, member of the RPT Committee and/or member of the Board of Directors who has an interest in the RPT under review shall fully and timely disclose any and all material facts, including his direct and indirect financial and other interests in the Material RPT, and abstain from the discussion, approval and management of such transaction or matter affecting the Company. Such disclosure shall be made at the board meeting during which the Material RPT will be presented for approval and before the execution of the Material RPT. In case he refuses to abstain, his attendance shall not be counted for purposes of assessing the quorum and his votes shall not be counted for purposes of determining the required approval.
9. All individual Material RPTs shall be approved by at least two-thirds (2/3) vote of the Board of Directors, with at least a majority of the independent directors voting to approve the Material RPT.
10. For aggregate RPTs within a twelve (12)-month period that breaches the materiality threshold of ten percent (10%) of the Company's total consolidated assets, the same board approval would be required for the transactions that meet and exceed the

materiality threshold covering the same Related Party.

11. In addition to the appointment of an External Independent Party, the following measures may be availed of by the Company to ensure that Material RPTs are entered into at terms that promote the best interest of the Company and its shareholders:
  - (a) opening the transaction to a bidding process;
  - (b) publication of available property for sale, if applicable, or;
  - (c) such other effective price discovery mechanism.

#### **G. Shareholder Approval**

The Company ensures that the rights of minority shareholders are protected at all times, especially from abusive actions by, or in the interest of controlling shareholders. Accordingly, the policies and processes of the Company cater to the best interest of all its shareholders, including minority shareholders, and other stakeholders.

As such, in case the vote of the majority of the independent directors is not secured as required in Part F of this Policy, the Material RPT may be ratified by the shareholders representing at least two-thirds (2/3) of the outstanding capital stock of the Company.

All other RPTs determined by the RPT Committee to be subject to shareholders' approval in accordance with applicable laws, rules and regulations, will also be submitted to the shareholders, including minority shareholders, for approval. The Company encourages disinterested shareholders to decide on the matter.

Non-compliance with any of the provisions of this Policy shall result in the nullification or revocation of any agreement or contract pertaining to the Material RPT. Any director, officer, or employee of the Company who fails to comply shall be subject to the appropriate procedures and penalties under the Company's Code of Ethics, Manual on Corporate Governance, other Company policies, rules and regulations, as well as applicable laws, rules and regulations.

#### **H. Self-Assessment and Periodic Review of the Policy**

The internal audit group/s of the Company shall conduct a periodic review of the effectiveness of the Company's system and internal controls governing Material RPTs to assess their consistency with this Policy and other approved policies and procedures. The resulting audit reports, including exceptions or breaches in limits, shall be communicated directly to the Audit Committee.

The Company's Compliance Officer shall ensure that the Company complies with relevant rules and regulations and is informed of regulatory developments in areas affecting Related Parties.

The Compliance Officer shall aid in the review of the Company's transactions and identify any potential Material RPT that would require the review by the RPT Committee and the approval of the Board of Directors. The Compliance Officer shall ensure that this Policy is properly implemented throughout the Company.

This Policy shall be updated regularly for their sound implementation, as well as to conform to the requirements of applicable law, rules and regulations. This Policy and the system and procedures provided herein shall be made available for review pursuant to applicable regulations. Any changes shall be approved by majority of the Board of Directors of the Company.

#### **I. Remedies for Abusive Material RPTs; Whistleblowing Mechanism**

The Company's officers, employees, shareholders and other stakeholders are encouraged to communicate, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable Material RPTs in accordance with the Company's Whistle-Blowing Policy set out in the Company's website at the link [http://www.smfb.com.ph/files/reports/SMFB\\_Whistle-BlowingPolicy.pdf](http://www.smfb.com.ph/files/reports/SMFB_Whistle-BlowingPolicy.pdf). Such Whistle-Blowing Policy provides guidance on how legitimate material concerns should be reported, investigated and addressed.

The Board of Directors shall ensure that senior management addresses legitimate issues on Material RPTs that are raised, and shall take responsibility for ensuring that stakeholders who raise concerns are protected from detrimental treatment or reprisals.

The Compliance Officer shall report to the RPT Committee all violations of this Policy and sanctions imposed in accordance with Company Rules and Regulations, Code of Ethics and other applicable policies of the Company.

The RPT Committee shall have the authority to recommend to the Board of Directors for appropriate action, the invalidation of the transaction, including measures that would cut losses and allow recover of losses or opportunity costs incurred by the Company arising out of or in connection with Abusive Material RPTs, and other penalties that may be imposed on directors, officers and employees who have been remiss in their duties in handling Material RPTs in accordance with this Policy, other Company policies and applicable laws, rules and regulations.

An interested director or officer of the Company shall be disqualified from being a director or officer of any other corporation on the basis of a final judgment rendered by a court of competent jurisdiction against the interested director or officer for Abusive Material RPTs. The disqualification shall be for a period of at least one (1) year or more, as may be determined by the SEC. This shall be without prejudice to any other administrative penalties that may be imposed by the SEC and/or civil or criminal penalties, as may be provided by the Revised Corporation Code, Securities Regulation Code and other related laws and regulations, as each may be amended from time to time.

**J. Disclosure of Related Party Transactions**

RPTs are disclosed in the Company's financial statements, annual reports, and other applicable filings pursuant to the relevant rules and issuances of the SEC, the Philippine Stock Exchange and other relevant regulatory bodies. In this regard, the Company shall submit the following to the SEC:

1. An Advisement Report of any Material RPT, which shall be filed as follows:
  - (a) For individual contracts that reach the materiality threshold, the Advisement Report shall be filed within three (3) calendar days from the execution date of the contract or agreement covering the transaction.
  - (b) For one or more contracts covering multiple transactions with the same Related Party *that the Company reasonably expects will reach the materiality threshold* within a period of twelve (12) months from the first transaction, the Advisement Report shall be filed within three (3) calendar days from the execution date of the main contract, or the contract covering the first transaction, as the case may be.
  - (c) For one or more contracts covering multiple transactions with the same Related Party within a period of twelve (12) months from the first transaction, not falling under Part J, Item 2(b), the Advisement Report shall be filed within three (3) calendar days from the date of the contract covering the transaction that meets and exceeds the threshold.

The Advisement Report shall be signed by the Company's Corporate Secretary or authorized representative, and the Related Party or its authorized representative.

2. A summary of Material RPTs entered into during the fiscal year, which shall be disclosed in the Company's Integrated Annual Corporate Governance Report (I-ACGR) to be submitted annually every May 30 or as prescribed by the SEC;
3. Such other reports as may be required by the SEC.
4. At a minimum, the disclosures in both (1) and (2) above shall include the following information:
  - (a) Complete name of the Related Party;
  - (b) Relationship of the parties;
  - (c) Execution date of the Material RPT;
  - (d) Financial or non-financial interest of the Related Parties;

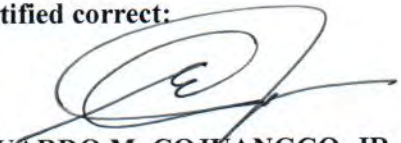
- (e) Type and nature of transaction as well as a description of the assets involved;
  - (f) Total consolidated assets of the Company based on its latest audited financial statements;
  - (g) Amount or contract price;
  - (h) Percentage of the contract price to the total consolidated assets of the Company;
  - (i) Carrying amount of collateral, if any;
  - (j) Terms and conditions;
  - (k) Rationale for entering into the transaction; and
  - (l) Approval obtained (i.e., the names of the directors present, the names of the directors who approved the Material RPT and the corresponding voting percentage obtained).
5. The foregoing disclosures shall also be made publicly-available by the Company, for the benefit of all shareholders and other stakeholders, through the company website and such other media channels as the Company may deem appropriate.

**K. Manual on Corporate Governance and Other Company Rules and Policies**

The provisions of the Company's Manual on Corporate Governance, the RPT Committee Charter and other board policies, and company rules and policies relating to RPTs and conflicts of interest, as each may be amended from time to time, which are not inconsistent with the provisions of this Policy (such as, but not limited to, the duties, functions and powers of the Company's directors and officers, the RPT Committee, and the Board of Directors) shall have suppletory application to this Policy.

Adopted by the unanimous vote of the Board of Directors on August 7, 2019.

Certified correct:



**EDUARDO M. COJUANGCO, JR.**  
Chairman of the Board



**RAMON S. ANG**  
President and Chief Executive Officer



**CARMELO L. SANTIAGO**  
Chairman of the Related Party Transactions Committee



**ALEXANDRA BENGSON TRILLANA**  
Compliance Officer